

New CFPB Research Highlights Need for Strong Regulations to Protect Consumers from Collection Abuses

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(WASHINGTON) Today, the Consumer Financial Protection Bureau (CFPB), continuing its critically important work in protecting consumers, released a report based on its first national survey of consumer experiences with debt collectors. The survey found that the 70 million consumers who have had interactions with the debt collection industry in the past year have suffered from tens of millions of illegal and abusive collection practices. The industry has persisted in violating the 40-year old Federal Debt Collections Practices Act (FDCPA). “Problems in the debt collection industry show why we need a strong consumer watchdog to shine a spotlight on industry abuses and take action. President-Elect Trump must resist calls to fire CFPB Director Richard Cordray or to weaken the CFPB,” said April Kuehnhoff, a staff attorney at the National Consumer Law Center.

Extrapolating from the survey’s findings, we can see that:

Over 37 million Americans had at least one collection effort that was wrong in at least one way: the amount sought was incorrect; the debt was not owed; or some other family member, not the person contacted; owed the debt.

- Over 25 million Americans were contacted at inconvenient times – late at night or very early in the morning.
- Almost 12 million American consumers had contacts from collectors of eight or more times a week.
- Three out of four consumers who requested that collectors stop contacting them said that the collectors ignored their requests.
- Over 10 million Americans are sued by creditors or debt collectors and of those, fewer than 3 million defend themselves in court.

The CFPB is currently in the process of writing regulations that are likely to address these issues. “The problem is particularly acute when debt buyers are involved—businesses that purchase defaulted debt from previous creditors for pennies on the dollar,” said National Consumer Law Center attorney Margot Saunders. “The low prices paid for these debts provide no marketplace incentives for creditor-sellers to ensure that the information about the amount owed and the consumer that they pass along with the debt is accurate.”

“The CFPB is set to propose rules on debt collection that advocates hope will significantly strengthen the substantiation and documentation requirements for all debts, as well as provide meaningful limits on contacts, and increase the availability of private rights of action by consumers against debt collectors and debt buyers who are routinely abusing and harassing consumers,” added Saunders.

A problem with a debt collector is the top consumer complaint to the CFPB. In 2015 (the most recent

data available), the CFPB handled approximately 85,200 debt collection complaints.

National Consumer Law Center Resources

Debt Collection Rulemaking at the CFPB:

- Issue Brief: Consumer Debt Collection Facts, July 2016
- Group Comments to the CFPB re: Advance Notice of Proposed Rulemaking re: Debt Collection, Feb. 28, 2014
- Report: Debt Collection Communications: Protecting Consumers in the Digital Age, June 2015
- Report: Zombie Debt: What the CFPB Should Do about Attempts to Collect Old Debt, January 2015
- Report: Strong Medicine Needed: What the CFPB Should Do to Protect Consumers from Unfair Collection and Reporting of Medical Debt, Sept. 2014